

Wakefern Food Corporation

1997 Business Review



R.J. Reynolds
Tobacco Company



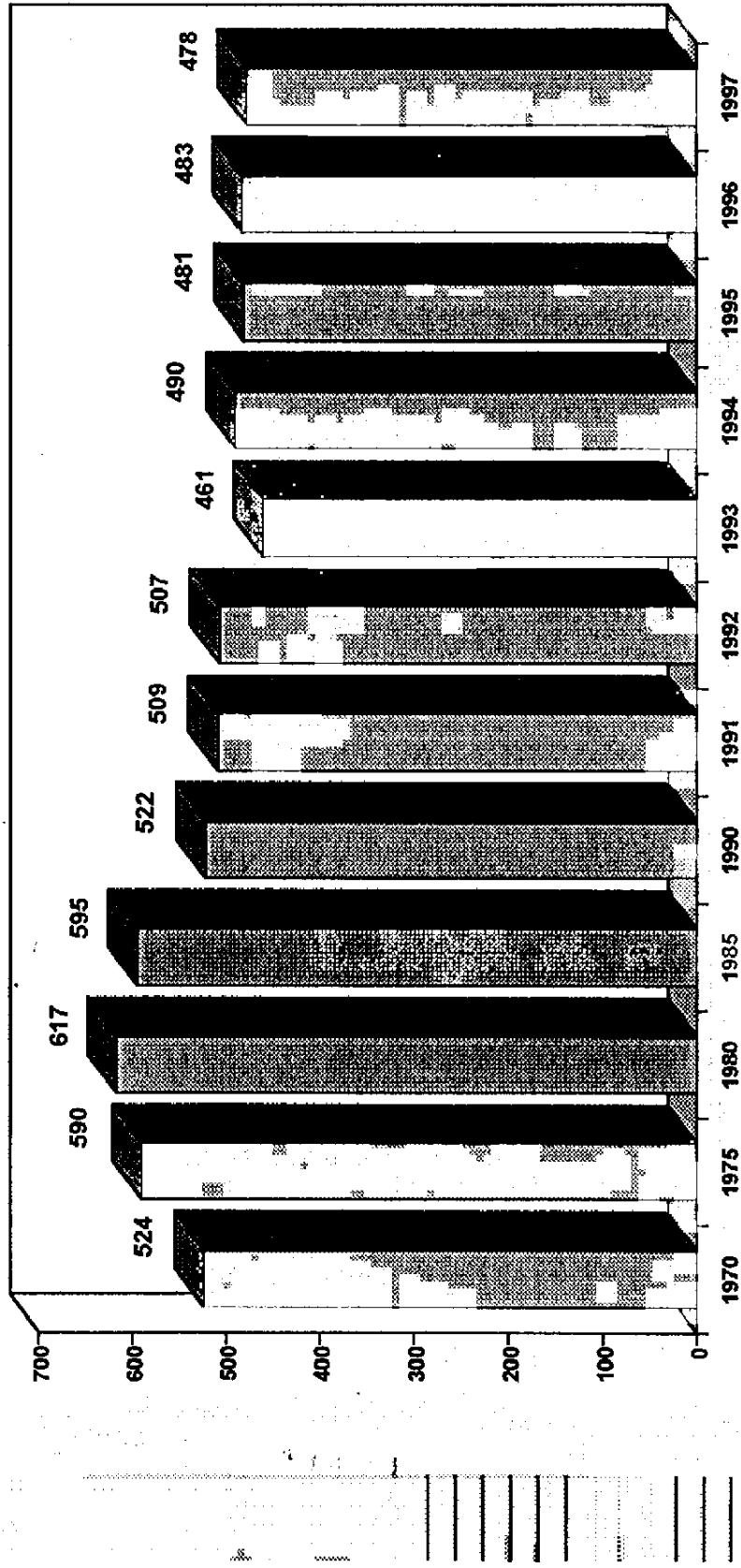
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Wakefern Food Corporation

CONFIDENTIALITY

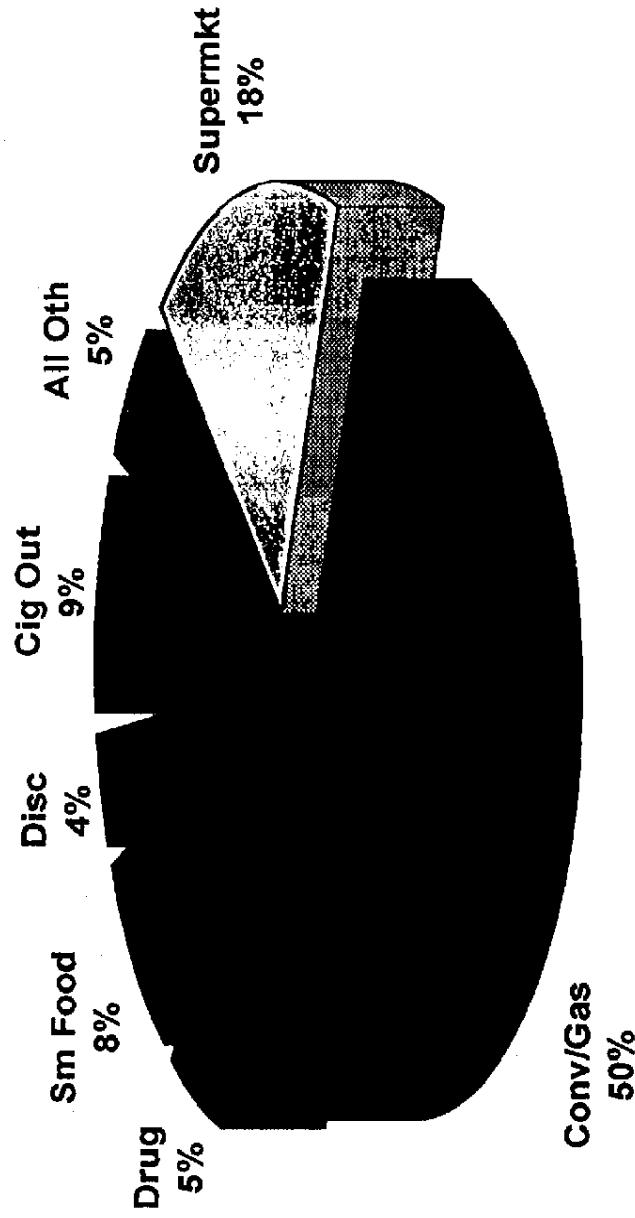
This confidential report was prepared
for your exclusive use in concert with
R. J. Reynolds Tobacco Company.

Total U.S. Cigarette Industry Volume Billions of Cigarettes - Annually



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Cigarette Retail Dollar Sales Percent of Total U.S. - 1997 \$



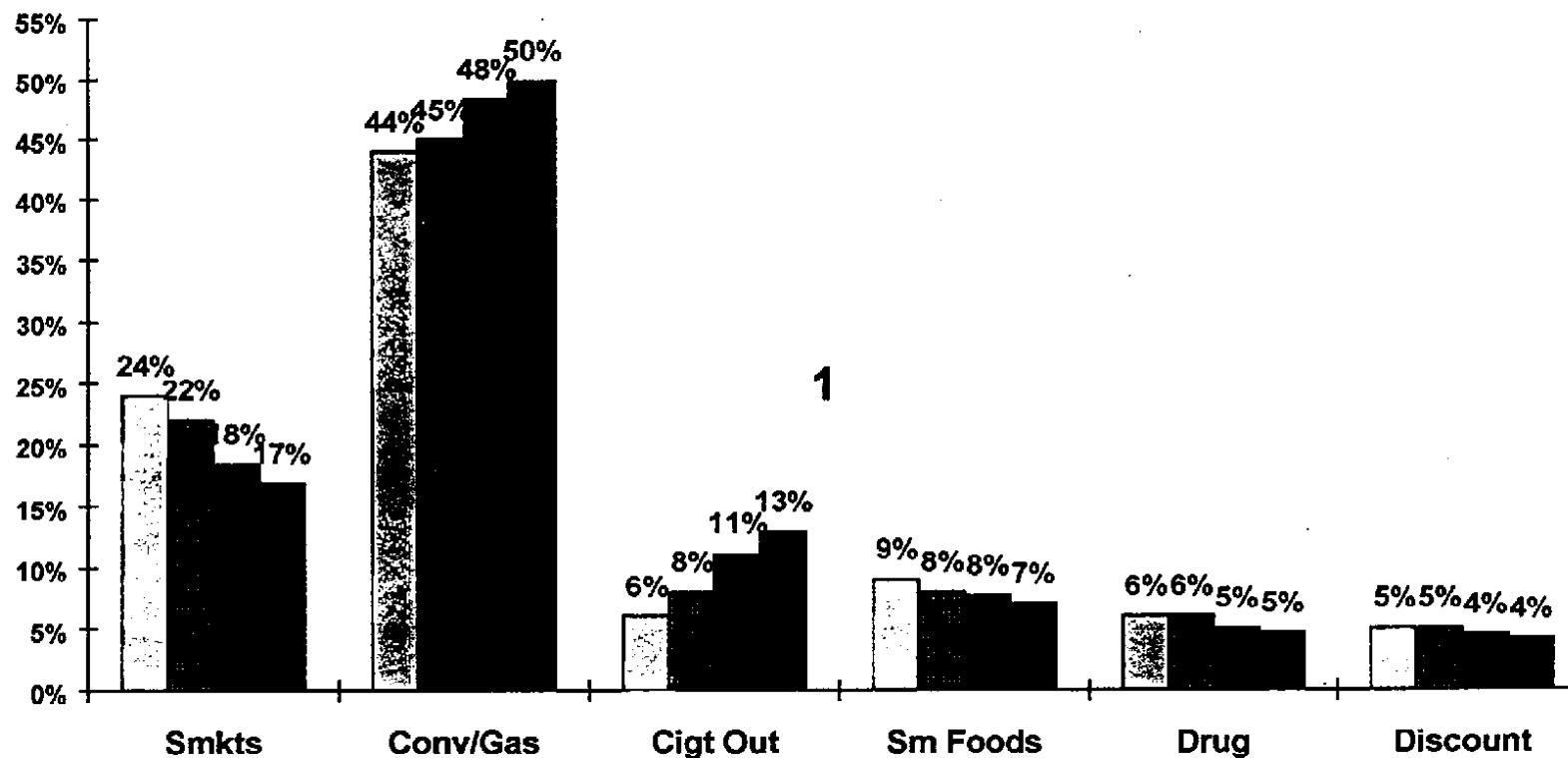
- Cigarettes produce BIG sales dollars for each retail segment.

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Total U.S.

Percent Cigarette Volume Trends By Retail Segment

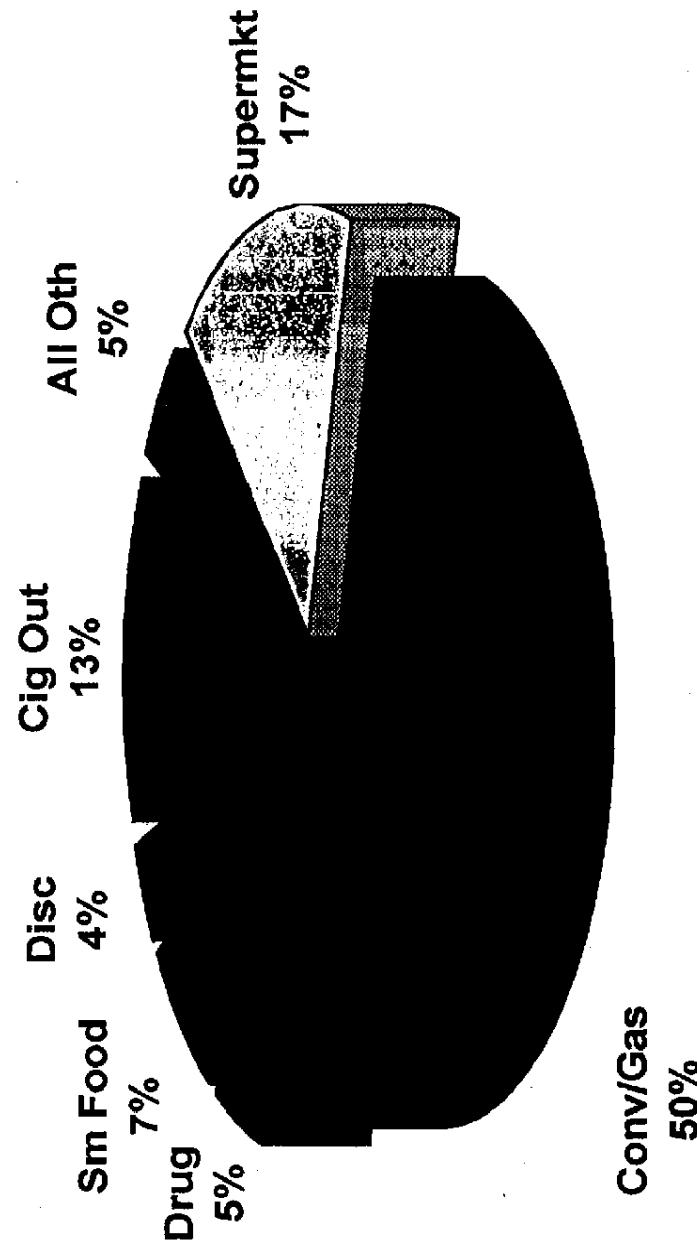
■ 1994 ■ 1995 ■ 1996 ■ 1997



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"Where Consumers Purchase"

Percent of U.S. Volume - 1997

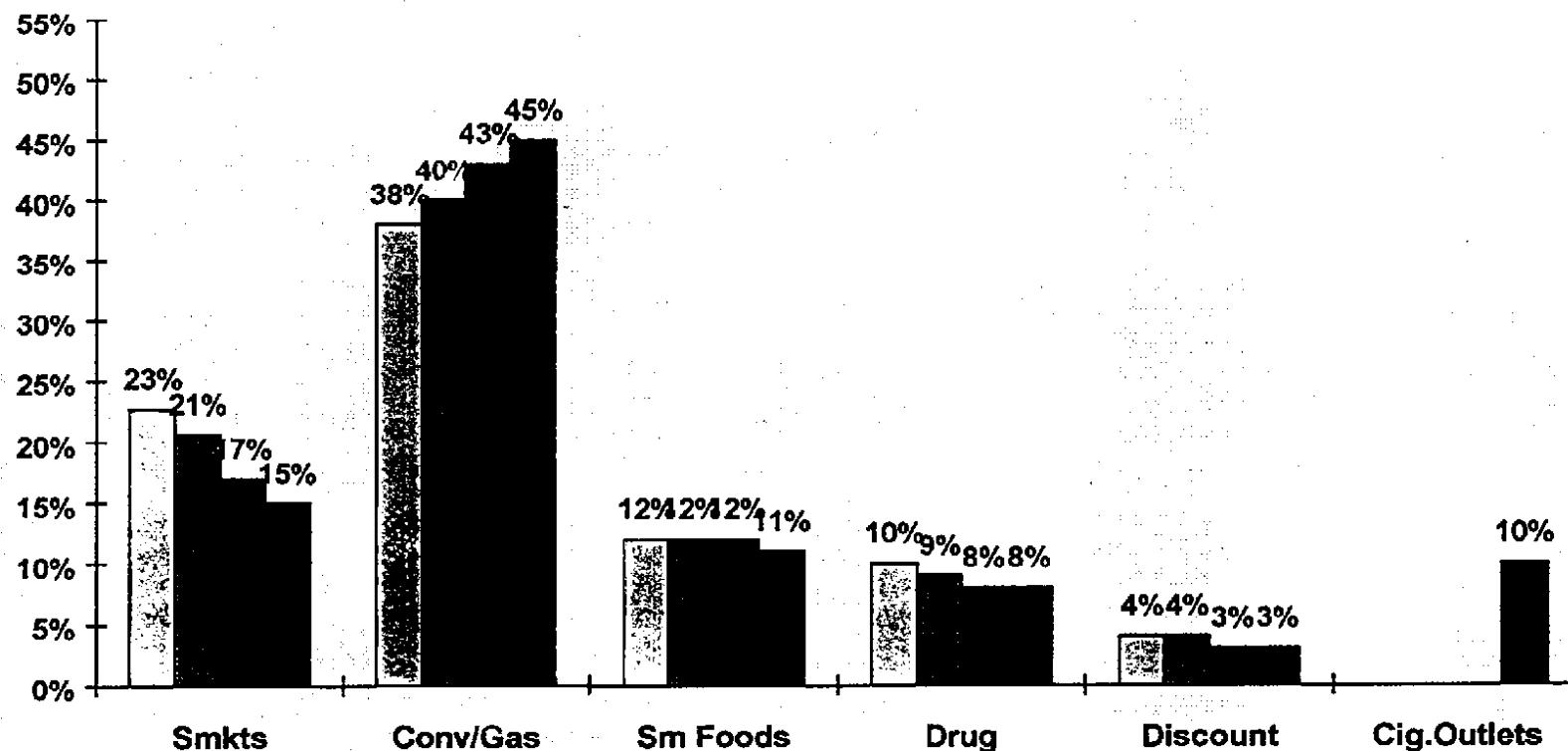


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Northeast U.S.

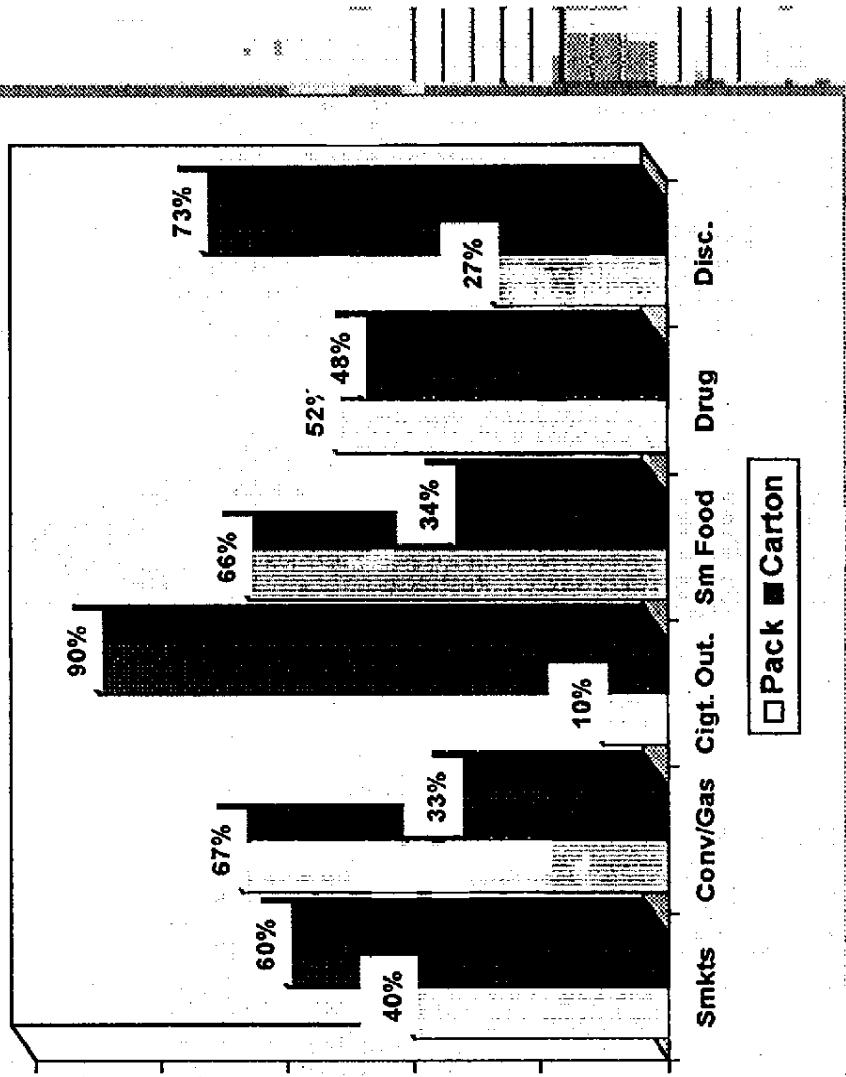
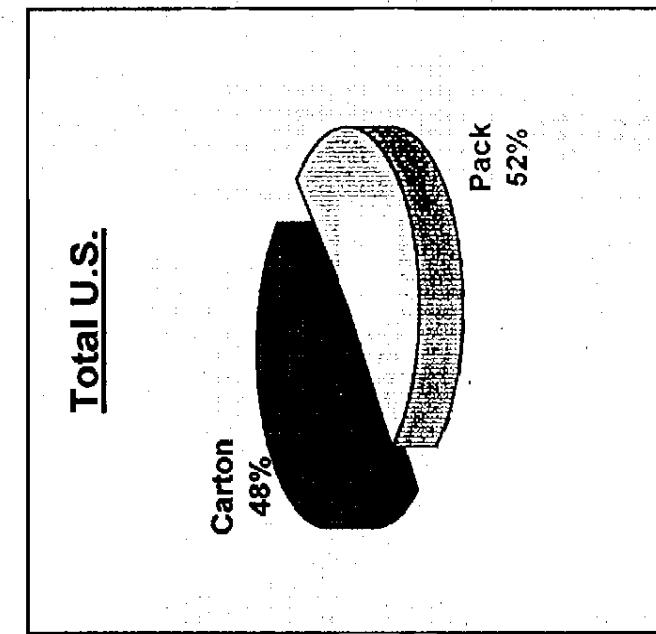
Percent Cigarette Volume Trends By Retail Segment

□ 1994 ■ 1995 ■ 1996 ■ 1997

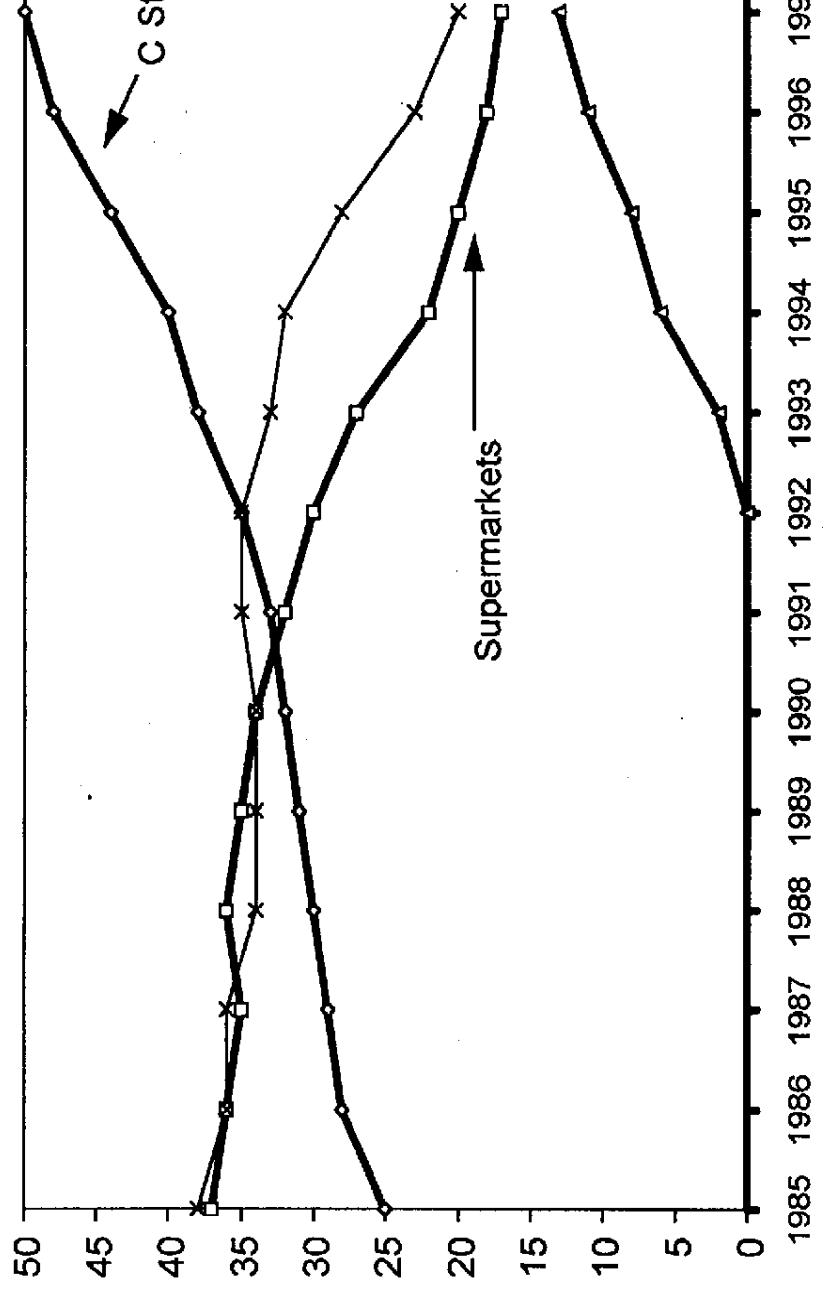


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"How Consumers Purchase" Pack / Carton Ratio - 1997

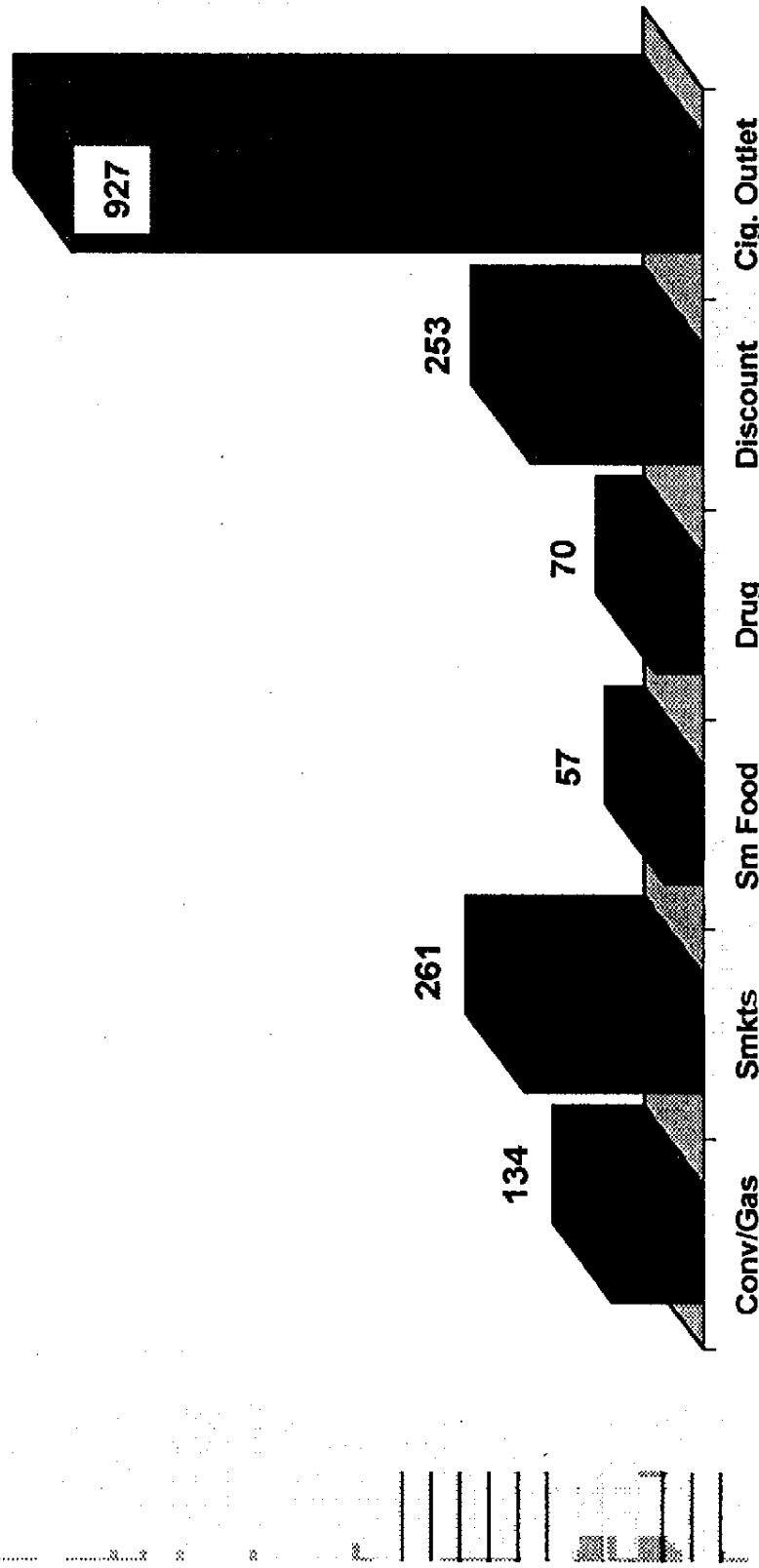


Total U.S. Share of Cigarette Industry Volume Major Trade Class Trends



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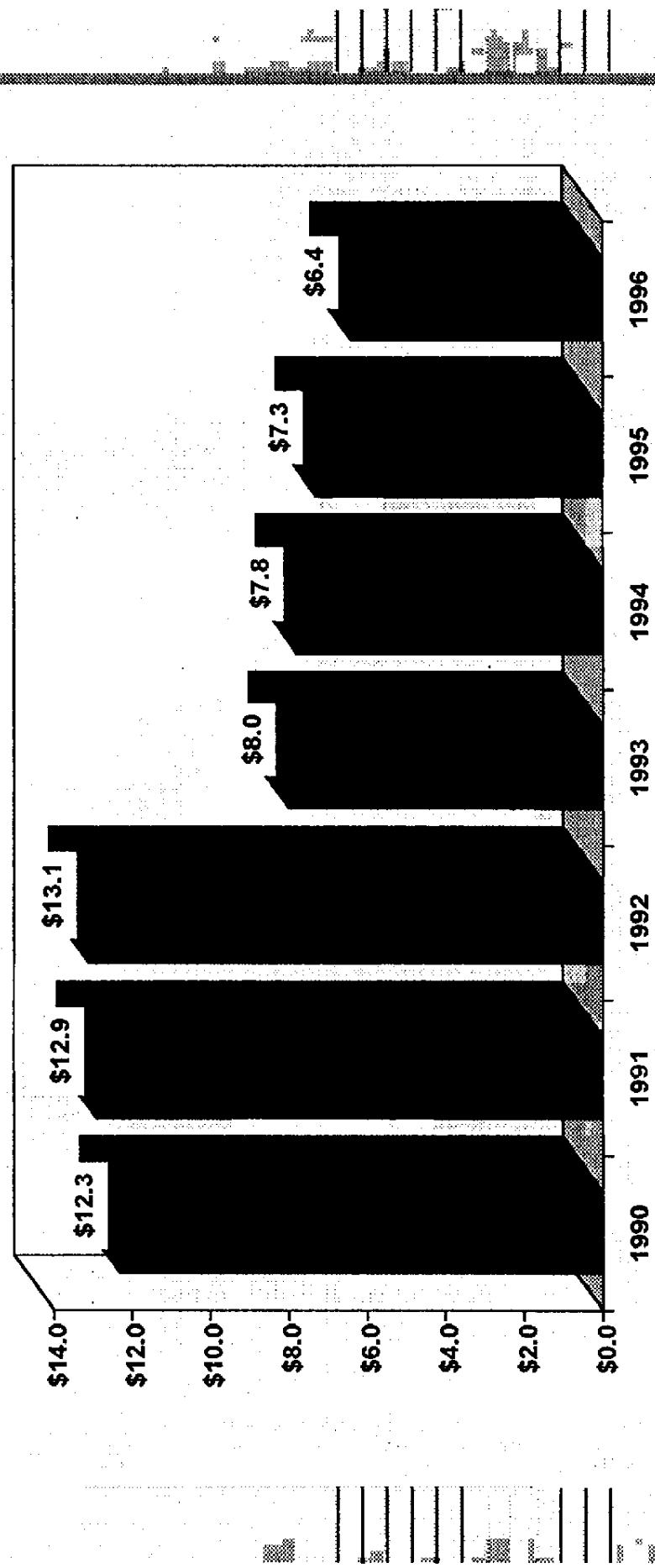
Total U.S. By Major Trade Class - 1997
Average Weekly Carton Volume / Per Store



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Supermarkets Cigarette Retail \$ Sales

Billions of Dollars

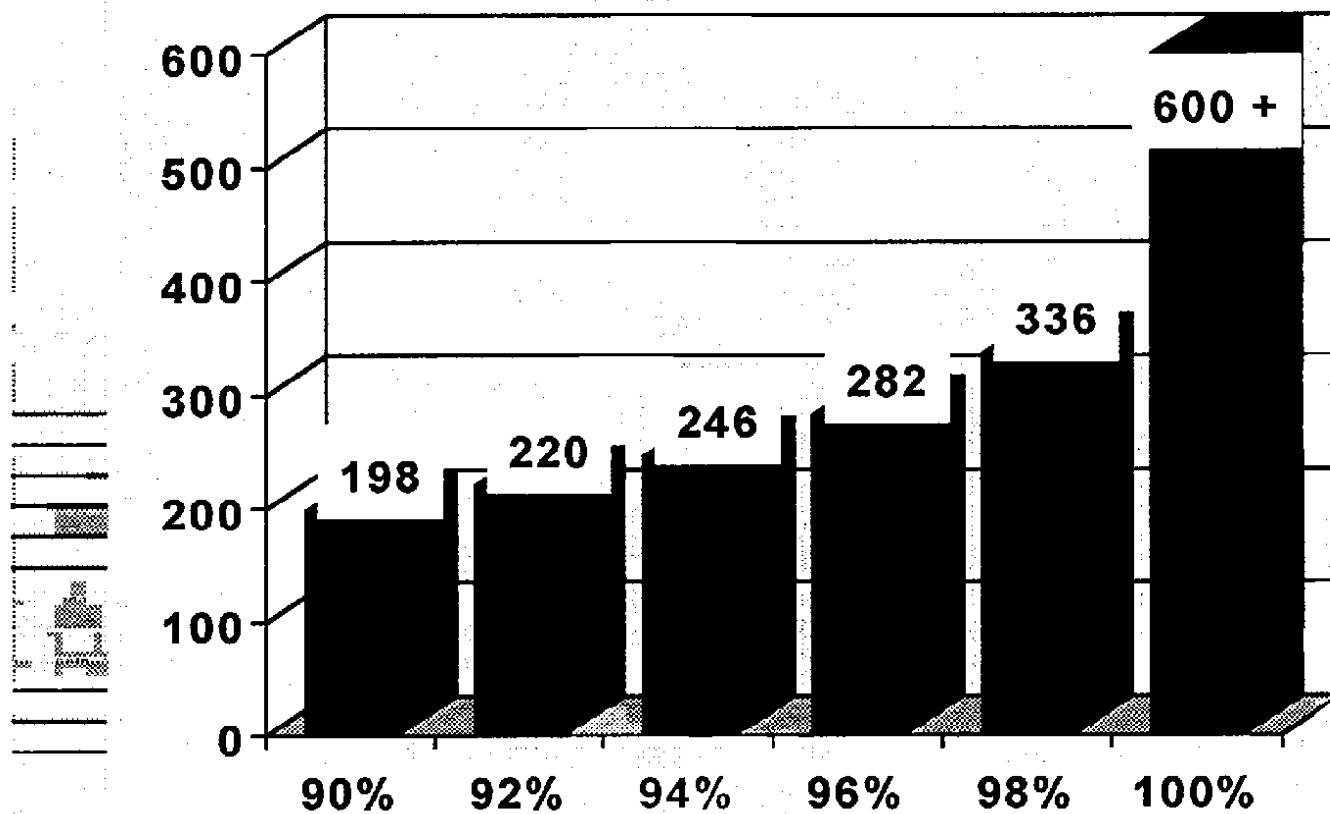


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Total U.S. Supermarkets

Customer Satisfaction - Number of Brands

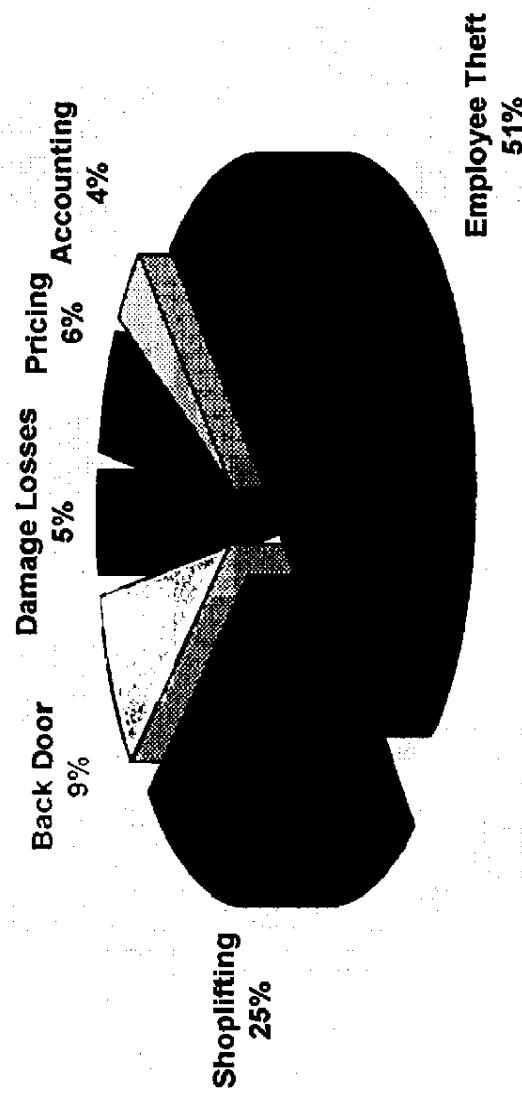
of Brand Styles to Satisfy



Manage the
number of brand
styles without
losing any
significant sales.

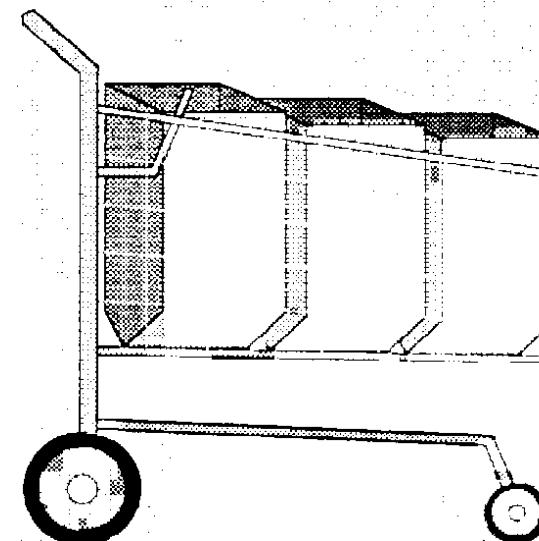
Supermarkets

"Where's The Shrink?"



Supermarket Facts

- Annual supermarket sales of cigarettes are estimated to be at \$6.4 billion for 1997.
- The supermarket share of total U.S. cigarette volume is approximately 18%, and shows a steady decline VS other retail trade segments.
- Cigarettes account for about 3% of total supermarkets all commodity volume, equal to the combined sales of candy/gum, spices/extracts, canned vegetables, dried vegetables, and pickles/olives.
- The average supermarket sells approximately 267 cartons of cigarettes per week.
- 62% of the cigarette volume that moves through supermarkets is in cartons, 38% in packs.
- Supermarkets are highly developed among female smokers, 50+ year-old smokers, carton purchasers, ultra low tar smokers, and 100-120mm smokers.



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Consumers Spend More When Buying Cigarettes

■ Smokers spend 70% more on shopping trips when buying cigarettes.

■ R.J.R smokers spend 87% more

■ P.Morris smokers spend 60% more

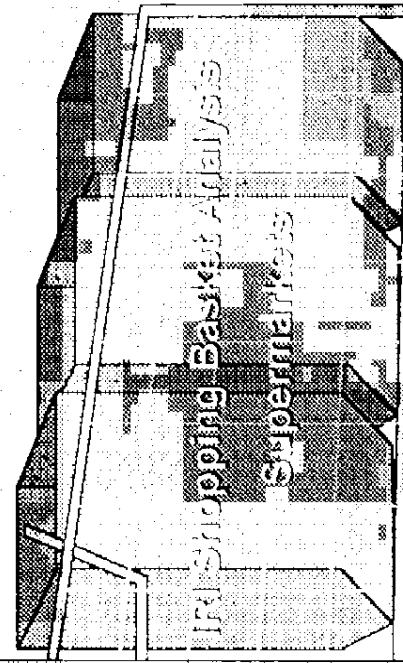
Smokers purchase cigarettes about 28% of their shopping trips.

■ R.J.R smokers: 28%

■ P.Morris smokers: 19%

The average shopping basket of R.J.R smokers when they purchase cigarettes is 11% higher than P.Morris and 12% higher than the industry as a whole.

■ Overall, smokers spend 13% more than non-smokers per shopping trip.



Supermarket Cigarette Purchasers

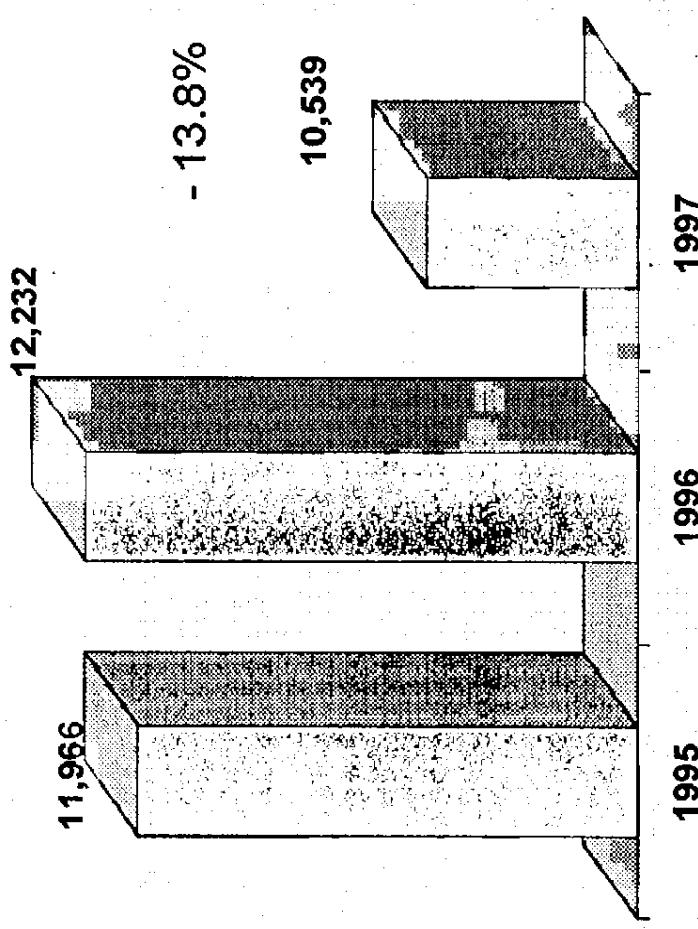
- Adult Cigarette purchasers are important to your store. They drive up profits with high-margin cigarette sales. They spend more than non-smokers by about 13%.
- Supermarket percent of cigarette volume has declined, while convenience/gas stores have increased.
- Convenience stores are attracting your adult cigarette customers by aggressively promoting and displaying packs, as more consumers purchase by the pack.
- Adult Cigarette smokers want convenience. Attract adult cigarette shoppers who shop convenience stores by merchandising cigarettes at the "C-Store" within your store = *The Express Checklane*.
- Premium brand adult cigarette smokers are brand loyal. It is important to promote and display the full price, high margin brands at the checkout lanes.

To Keep Your Adult Cigarette Purchasers and Gain Additional Adult Cigarette Purchasers, You Must Be Consumer Focused!

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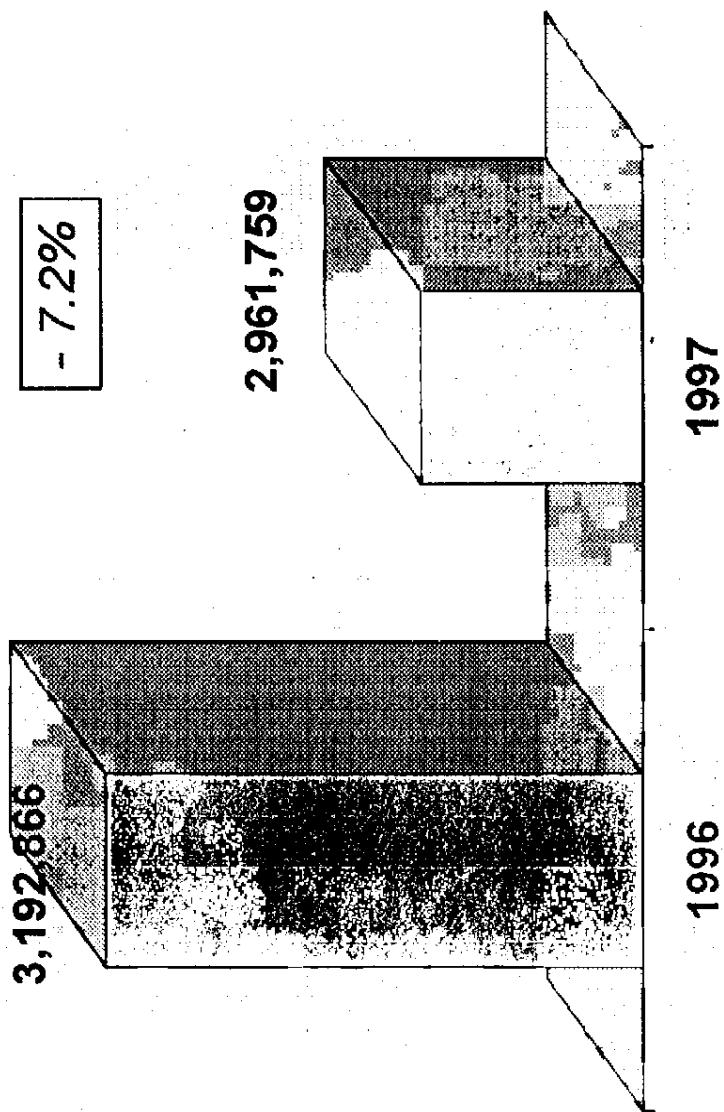
RJR Case Volume 1995-1997

+ 2.2%



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Cigarettes Shipped Stores
1996 Vs. 1997



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Cigarettes Shipped To Stores
(through 3/15/98)

-15.9%

708,548

595,724

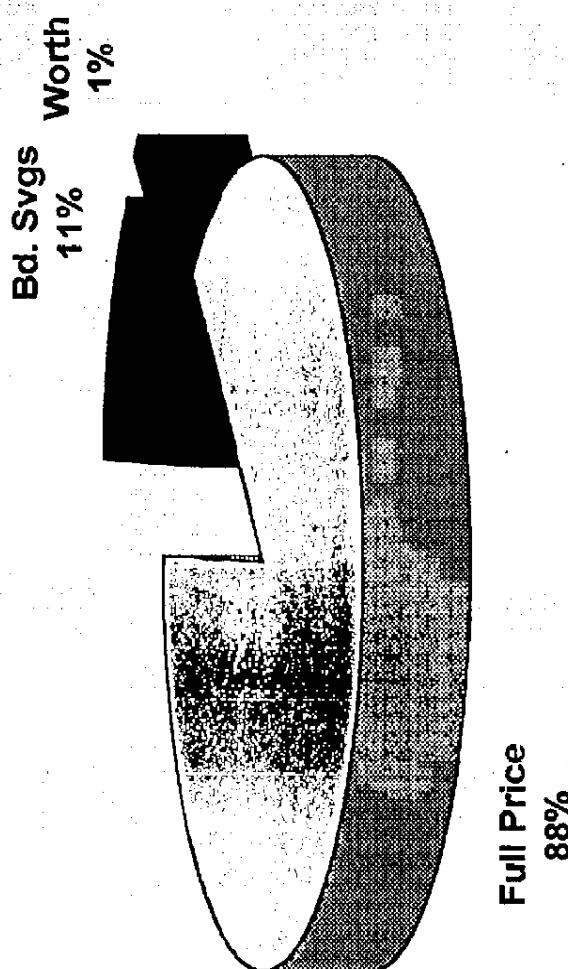
1998 YTD

1997 YTD

Source: RJR AIM System

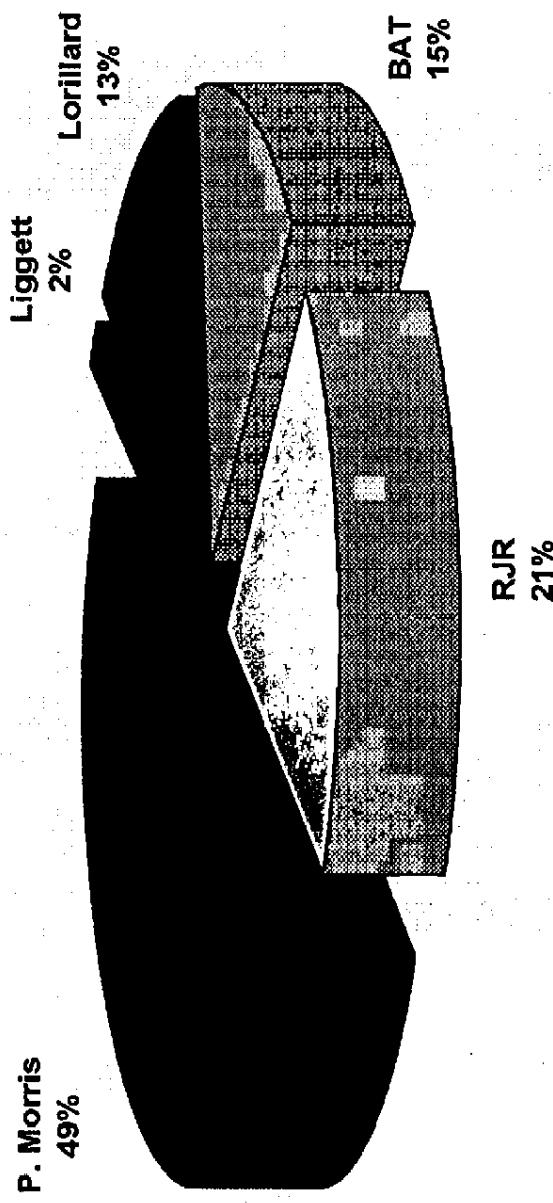
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Cigarette Category
Price Segments



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Wakefern Food Corporation
Cigarette Category
Manufacturer Share Of Market



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1997 Direct Purchase Programs

<i>Program</i>	<i>Total Earned</i>
<i>Price Increase Differential</i>	\$ 36,286.00
<i>Hand Stamping Allowance</i>	\$ 1,588.00
<i>Worth Allowances</i>	\$ 27,935.00
<i>Wholesale Partners Program</i>	\$ 84,463.00
<i>Standard Anticipation</i>	\$ 245,794.00
<i>Electronic Funds Allowance</i>	\$ 36,443.00
<i>Total Dollars Earned</i>	\$ 432,509.00

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Retail Programs

<i>Program</i>	<i>\$ Paid</i>
<i>Coupon Payments</i>	\$ 567,737.00
<i>Price Plus Program</i>	\$ 163,495.00
<i>Retail Partners Contract \$</i>	\$ 422,925.00
<i>Total Retail \$</i>	\$ 1,154,157.00

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Business Recommendations 1998

1998 & Beyond

The majority of marketing and promotion for the Cigarette Category will take place at store level

- Continue use of Price Plus Program to drive volume.
- Make solid recommendations to Members regarding non self-service setups that will maintain business
 - Visible to shoppers
 - Clearly identified pricing
 - "Space to do business"
 - Programs from all Manufacturers